



Association for the Improvement
of American Infrastructure
Together, we move P3s forward.

Best Practices to P3 Procurement

Summary in advance of publication of
AIAI's Best Practices Guide to P3 Procurement.

Our nation is struggling with an infrastructure challenge that cannot be solved solely with conventional practices. Public sector owners must look to alternative approaches. Public-private partnerships, often called P3s, offer one such approach.

While not an infrastructure panacea, well-managed P3s provide access to financing and other tools and techniques to facilitate long-term solutions that bring significant value to taxpayers. Public entities are best poised to capture these and other benefits of P3s by incorporating **P3 Best Practices** into their processes, procedures, and project delivery.

By following **P3 Best Practices**, the public sector can maximize its ability to realize best value. The **P3 Best Practices** outlined below are considered critical to **P3 Success**:

Key Elements of Well-Managed P3s

- 1. Establish legal authority.** Pass P3 enabling legislation that creates clear authority to allow the use of long-term performance-based contracts and innovative financing and delivery methods, across various sectors and project types. The legal framework should establish a procurement process that is flexible, yet transparent, predictable, and competitive.
- 2. Create dedicated P3 group.** Establish a center of expertise for P3s to screen projects, manage procurements and projects, engage the market and community, coordinate advisors, and drive P3 policy. *Note: The P3 unit should have the legal authority to adequately execute the requirements of the P3 enabling legislation and the purposes for which it was created.*
- 3. Utilize advisors.** Engage specialized, technical, legal, business, financial, and design advisors early on and throughout the entire P3 process to supplement the expertise of the P3 group. Advisors should relevant have experience in the delivery of comparable projects to maximize the method's utility and cost-effectiveness.
- 4. Project pipeline.** Identify and define potential P3 projects by conducting long-term planning exercises to ascertain infrastructure needs, assets, and liabilities. Industry meetings or forums and unsolicited proposals are also valuable mechanisms for receiving innovative project ideas and infrastructure solutions.
- 5. Project selection.** Potential projects should be tied to the project goals and issues that a P3 might address to determine which model can best meet the goals of the project and allows for the innovation and long-term solution providing the best value across the lifecycle of the asset.

P3 Best Practices

Procurement Readiness

Establish procurement policies and procedures that promote transparency, predictability, and competition; incorporate industry-recognized best practices; and reflect relevant public and pipeline goals.

Create a realistic timeline for the project, including review and approval processes, consideration for changes in political power, and budget constraints.

Clearly define parameters for project processes, advisory services, and other components of a project.

The Two-Step Procurement Approach

Use a two-step selection process, in which qualifications are evaluated first, the most qualified proposers are invited to submit proposals second, and the private entity that submits the highest scoring proposal is deemed the preferred bidder. The best balance between competition and cost-efficiency for the procurement is achieved when the three most qualified proposers are shortlisted to bid.

Engage Market and Community

Generate private market interest and educate the public. Public understanding and acceptance of a P3 project throughout the procurement process is vital to success. It is imperative to have the support of a political champion so that with their leadership, the P3 group and owner agency may demonstrate its capacity to successfully undertake the project and its commitment to transparency goals and delivering the best value for the taxpayer.

P3s provide an attractive option for public owners to design, construct, finance, operate and maintain much-needed infrastructure. Through this procurement method, public sector owners will retain ownership and control of the asset, and can be confident that it will be delivered in accordance with mutually agreed-upon performance outcome, within budget and on time, and will be adequately maintained and operational throughout the project lifecycle.



For more information about industry-recognized **P3 Best Practices**, see the comprehensive **AIAI Best Practices Guide to P3 Procurement** - an in-depth, educational and practical resource for public entities interested in engaging in P3 procurement. Register for **AIAI's P3Direct program** to be notified when the Guide becomes available.